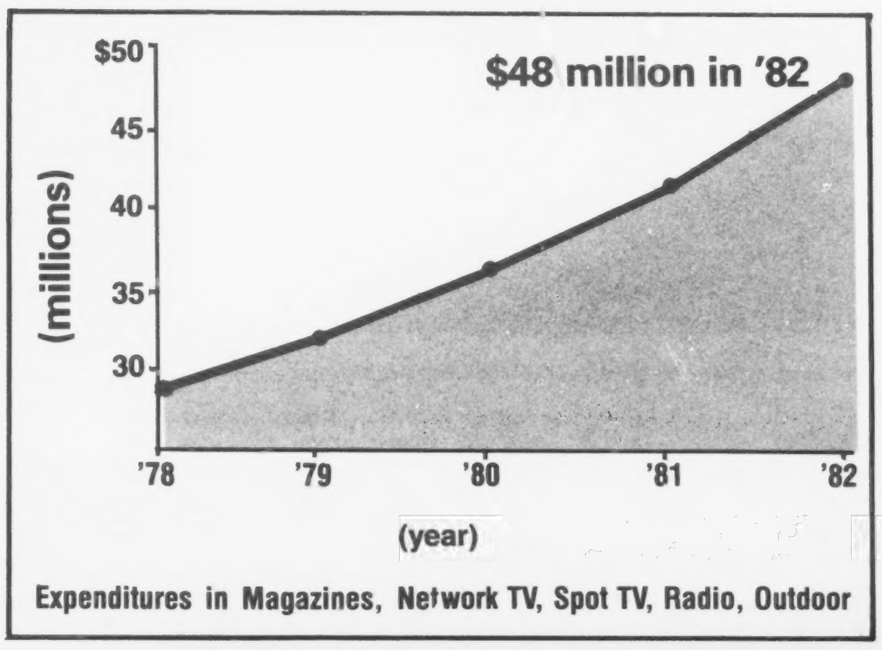
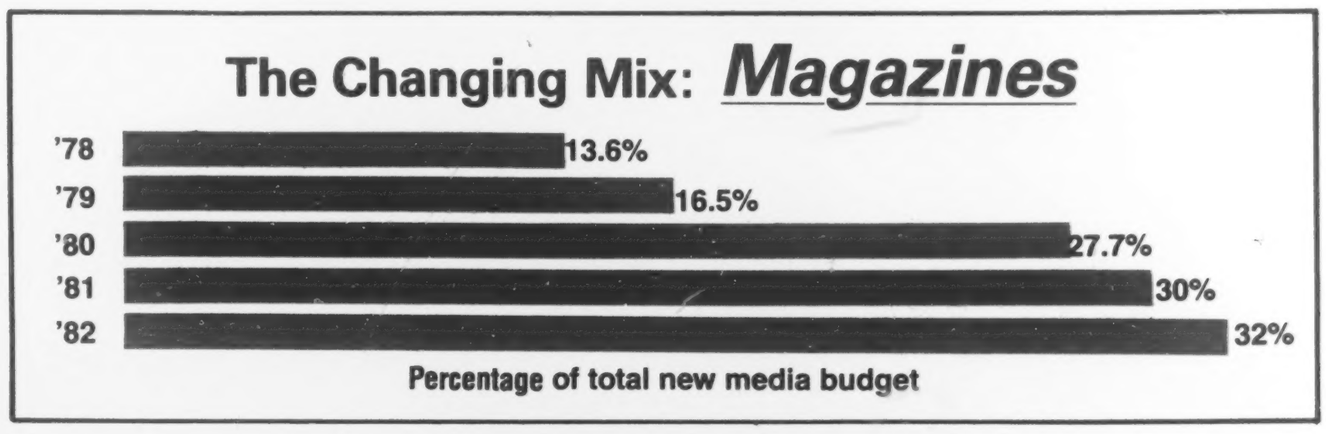
Case Study of K mart: The Changing Ad Mix

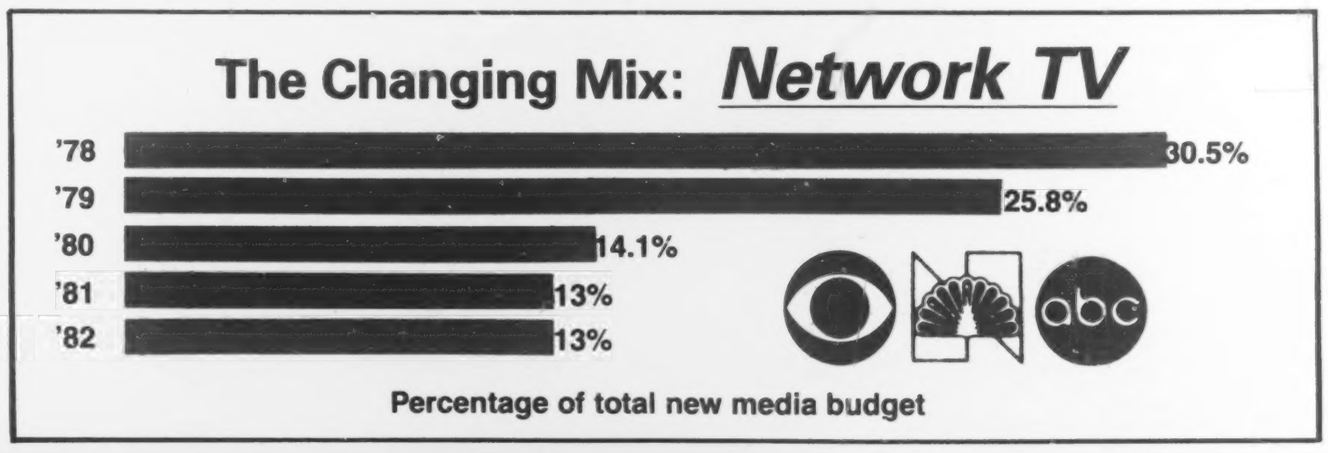
(Continued from page 35)

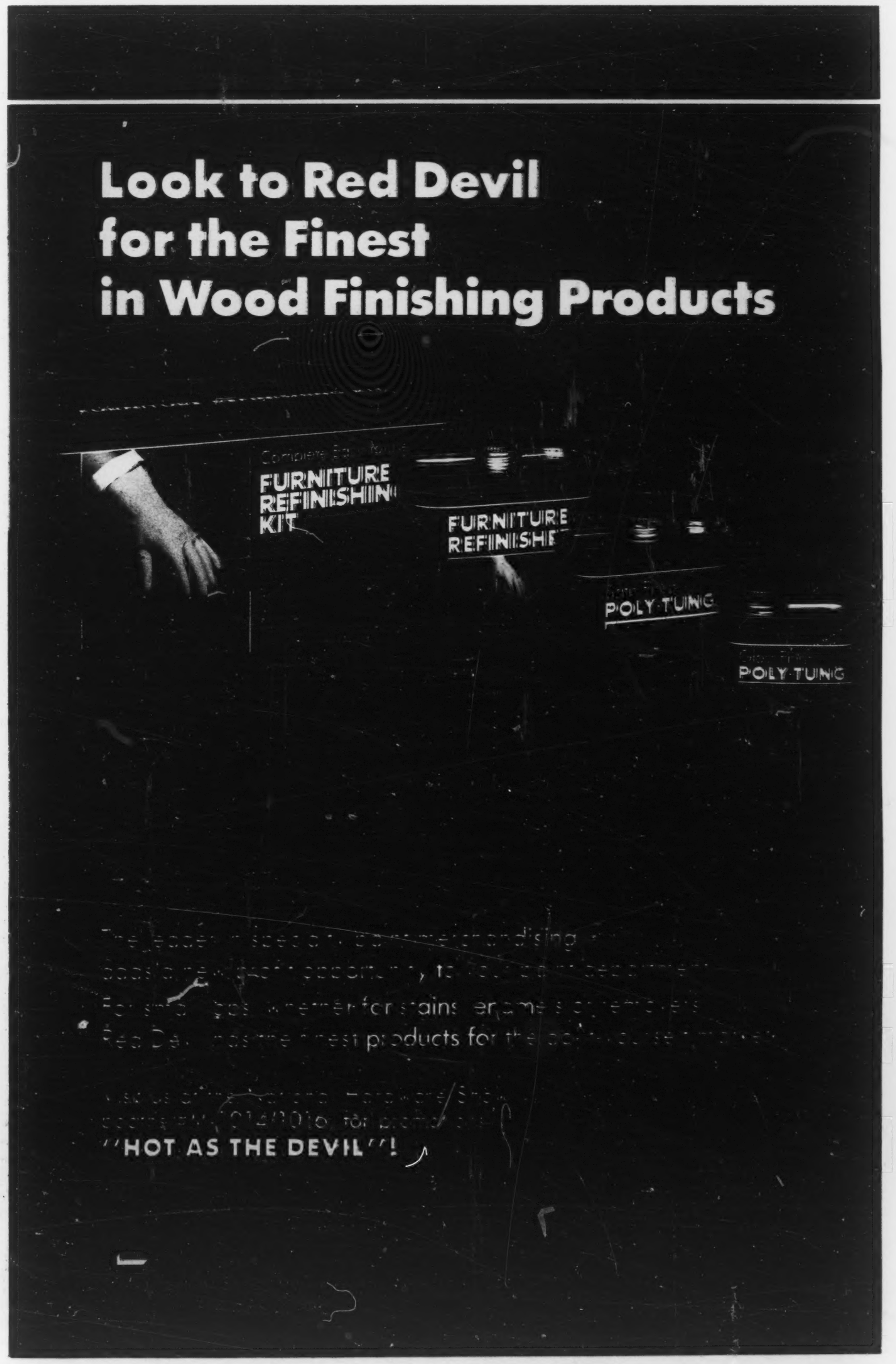
The Changing Mix:



Expenditures in Magazines, Network TV, Spot TV, Radio, Outdoor







Spot TV

52% of budget

Constant for the last 4 years

20th Anniversary Campaign

Total ad spending

50%

above normal for 3-week promo.

The campaign cost 8.6% of the total ad budget; $34.5 million was spent.

CE Buyers

(Continued from page 7)

Gran Prix, which while reasonably priced, offer the performance of more expensive systems sold in department stores.

"There have been few complaints about quality," said Flowers, who believes his sales increases have come at the expense of department stores.

Millner of ALCO pegged bookshelf units and boom boxes as his starlights. The bookshelf units and boom box category combined have replaced consumers' desire for larger stereos, he said.

ALCO's sales in the two categories are running 20% ahead of last year's. In a program composed of Juliette boom boxes from $99 to $199 and an eight-sku Gran Prix bookshelf stereo program, priced from $129 to $300, Millner finds all price points doing equal business.

C5150-3 8/23/82

HARDWARE:
Special Report—Pages 37-68

22-92894-E2 11P90 D
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Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

VOL. 21, NO. 17 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 a copy | AUGUST 23, 1982

Fall Optimism Gains; BTS in Earlier Start

Nationwide DSN Report

Summer inventory cleaned out on schedule, but for many discounters clearance came at the expense of earlier markdowns and/or deeper cuts.

Even though most chains entered the season with lighter inventories, a devastating June with unseasonable weather left inventory levels above expectations. But a hotter July and stepped-up promotions prompted some relief and upped optimism for fall.

"We were hurt by June's bad weather and we had a little more inventory left than we liked," commented Gold Circle's senior vp by soft lines George Rubin. His chain was among those planning to be rid of the excess of mid-August,

See July sales story, p. 89.

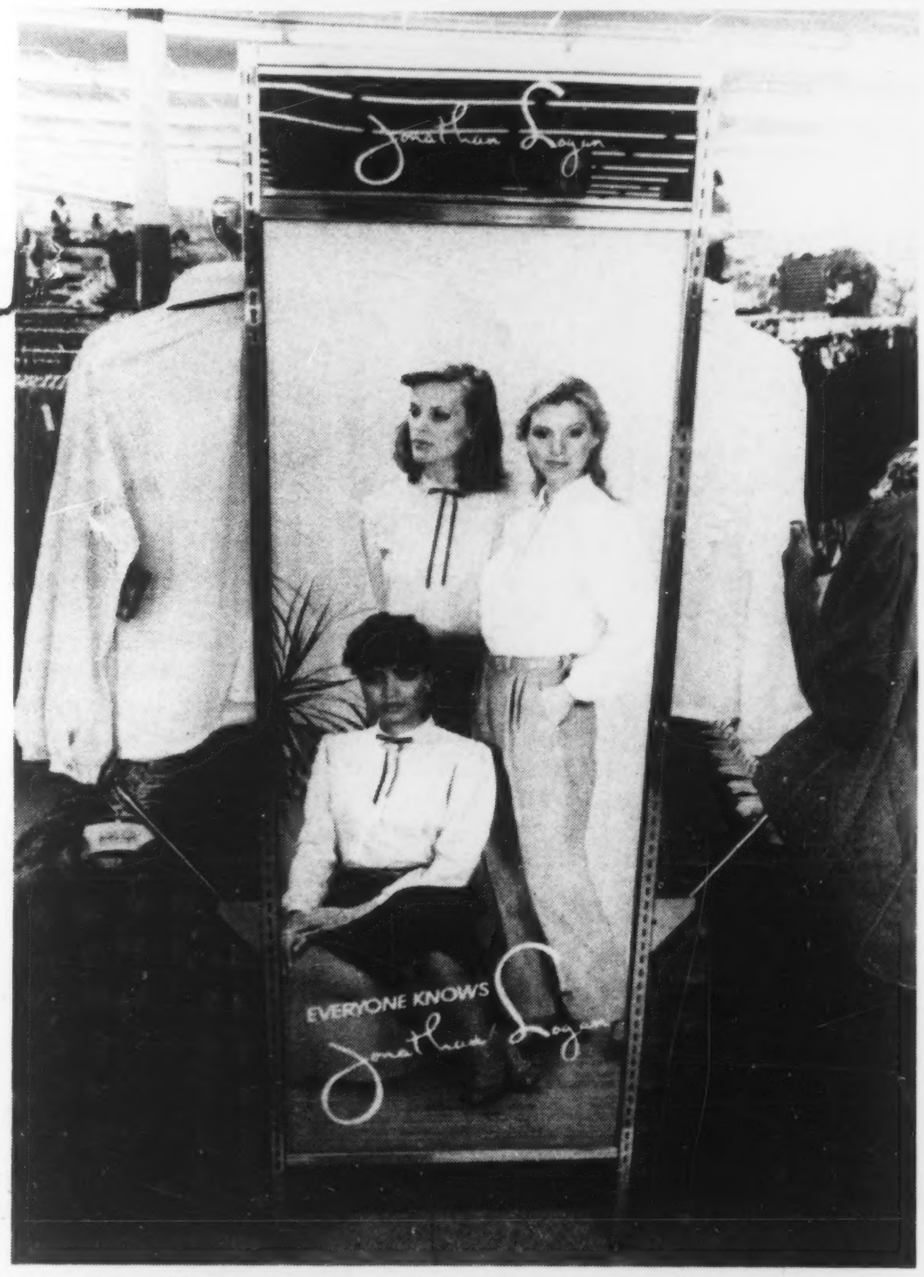
with cooperation from the weather without taking steeper markdowns than last year.

By the first of August, Gold Circle had 80% of its back-to-school merchandise in place despite the holdover of seasonal items.

In an effort to pick up lagging seasonal sales many chains opted to bring in BTS earlier this year. Among those gearing up early were Fishers Big Wheel, New Castle, Pa., and S. E. Nichols, New York.

"Last year we weren't ready for back-to-school until the second week of August and we felt that hurt sales," said Homer Helter, Fishers' vp of sales and marketing. He noted early strength in fall ladies' mini outfits, the tuxedo and prairie looks.

(Continued on page 89)



K mart is rolling out its special Jonathan Logan displays into some 400 stores like this one in Lodi, N.J. The signature active and dress wear collection is brightened by bold signing, special hangtags and new fixtures. *(DSN photo)*

H-e-e-e-re's Jonny! Logan Intro Gets Display Fanfare at K mart

TROY, Mich.—The first wave of Jonathan Logan merchandise has hit 400 K marts as the chain's $3 million-$4 million advertising blitz reached consumers through television, radio, newspapers and magazines.

However, the chain is now reportedly pinning its hopes on the back-to-school season for strong sales as initial figures were below expectations, according to a company source.

Both Logan merchandising and price points represent departures for K mart's handling of apparel.

The chain has devoted approximately 100 sq. ft. exclusively to Logan, using it as a main-aisle lead-off to the ready-to-wear department. The chrome modular fixtures—topped with headers bearing the Logan "signature"—are immediately visible upon entrance to the stores. Poster-size photographs of models wearing coordinated outfits are prominently featured on the displays.

To emphasize the coordinate theme, each item is tagged with a small booklet containing those photos. Some of the merchandise—such as denim jeans and sweatsuits—are being presented à la designer wear, with the Jonathan Logan name or initials emblazoned on the items.

(Continued on page 90)

E.T. Invades Smurf Turf

Nationwide DSN Report

E.T., phone home—or your local discounter.

As the summer blockbuster movie continues to bring people out of the heat and into the theaters, discounters are deciding whether to put their faith—and inventory dollars—behind the latest funny-looking creature to win America's heart. If they do, they hope the love affair is still going strong this fall and on into Christmas—when a glut of E.T. and other licensed merchandise is due to reach the stores.

Mixed Feelings

The availability and popularity of licensed goods have buyers wishing for a crystal ball: they want to be the first kid on the block to carry the hottest character-stamped items, but they also want guarantees their chosen lines won't fizzle.

Robert Craighead, vp/gmm of Glosser Bros., said his chain is taking a "bullish" stance on the coming E.T. invasion.

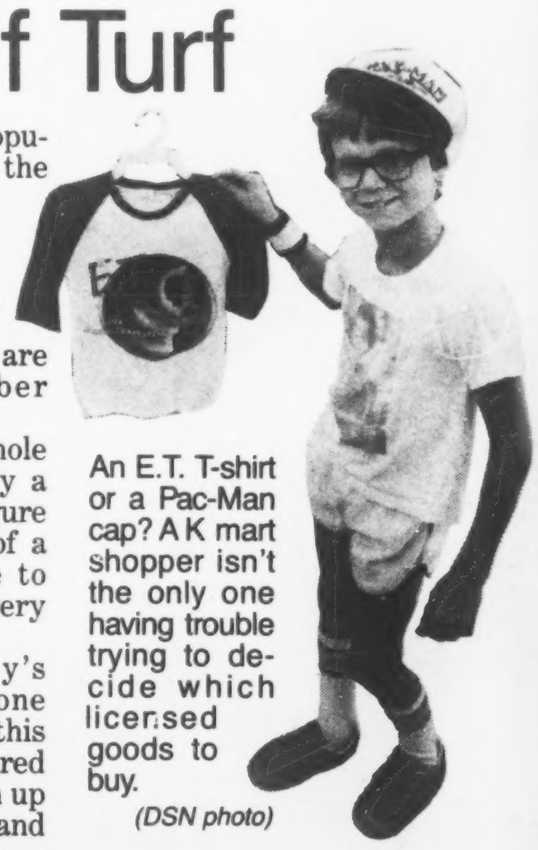
"Unless you're the first retailer with a hot licensed character you lose your margin opportunities and have to start right out by advertising to meet the competition's pricing," he noted.

Since E.T. has proved popular with both boys and girls, the Pennsylvania-based chain is moving in heavily with a stock of children's apparel. Based on the success in that area, toy, domestics and novelty gift departments are gearing up for September through Christmas sales.

Craighead said, "This whole licensing business is really a juggling act—trying to figure out the saturation point of a character and being able to move inventory in and out very quickly."

Gerry Fronk, Murphy's Mart's toy buyer, has done some juggling with his mix this year: The shelves were cleared of Dukes of Hazzard to open up space for E.T. Also, Disney and

(Continued on page 90)



An E.T. T-shirt or a Pac-Man cap? A K mart shopper isn't the only one having trouble trying to decide which licensed goods to buy. *(DSN photo)*

Target to Get 33 FedMarts

By BRAD ALTMAN

MINNEAPOLIS—Target Stores' decision to take over 33 FedMart sites in three Sunbelt states was hardly surprising after all the rumors in recent months.

But the formal announcement, in early August, was dramatic nonetheless.

In one swoop, Target entered the hotly competitive southern California discount market. FedMart thus nearly completed its transformation from major retailer into San Diego, Calif.-based real estate company.

Specifically, the 161-unit Dayton Hudson subsidiary said it will operate 28 California stores—20 in the Greater Los Angeles Area and eight in San Diego County. It will also take over four FedMart stores in Arizona—three in Phoenix and one in Tucson.

In addition, it will pick up one store in El Paso, Tex. This will be its first in El Paso, although Target has 30 units in Texas—primarily in Dallas-Fort Worth and Houston—with plans to open six more stores in San Antonio next spring.

Clearly, Target has become the chain for regional discounters on the West Coast and Southwest to watch. Since 1977, it has grown from 59 stores in nine states to 161 stores in 18 states.

(Continued on page 4)

Digest Aug. 23, 1982

SPECIALTY DISCOUNTERS
- **J. Brannam begins a search for a new president following the** resignation of Donald Rowlett. (p. 8)

H&BA
- **Custom-designed fixturing for cosmetics and fragrances mark** T.G. & Y.'s new AIM for the best Stores (p. 14)

SPECIAL REPORT/Home Computers
- **A special marketing report on how mass merchandisers are plugging into an exploding market that will hit $5.3 billion by 1985. (Section 2, pp. 15-34)**

HOUSEWARES
- **Toaster-oven sales are flat but high-ticket, continuous-clean** models may point the way to growth. (p. 35)

HARDWARE
- **Hardware buyers say this year's sluggish department sales** have set the stage for an upbeat Hardware Show. An in-depth, full-section report on the category begins on page 37.

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Disc. Mgt. Dev. Series	82	Product Movement Audit Hardware	42, 54
Editorial	6		

HARDWARE

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	TOOLS			
1	Bernz fuel cyl TX9	17,124	2.69	46,005.34
2	Bernz propane blow torch	3,852	10.00	38,526.16
3	Arrow chrome staple gun	2,308	16.15	37,265.43
4	Bernz Medina fuel cylinder	10,116	2.38	24,083.16
5	Bernz torch kit, sp goggle	655	36.77	24,071.25
6	Stanley 12' Powerlock tape	3,511	6.37	22,367.53
7	Easco 6" wrench, adjustable	5,208	4.19	21,818.92
8	USM multihead rivet tool	2,581	7.86	20,287.43
9	Stanley utility knife	6,627	3.03	20,095.71
10	Bernz tote torch kit	526	36.77	19,343.39
11	Wiss snip w/serrated blade	3,118	5.84	18,205.07
12	Waterloo 18" box, one tray	916	19.35	17,725.97
13	Bernz torch kit plastic box	786	21.41	16,830.62
	POWER TOOLS			
1	Wen 7' sander-polisher	534	48.79	26,052.52
2	Wen all bench	412	61.06	25,157.75
3	Dremel Moto-Tool kit w/acc	586	33.88	19,850.75
4	Skok 7¼" plywood blade	3,747	2.18	8,149.72
5	Wen ⅜" cordless drill, rev.	163	44.32	7,224.96
6	Skok 7¼" rip blade	3,680	1.92	7,084.00
7	Lenk 25W soldering iron	1,162	5.84	6,783.18
8	Skok 7¼" comb blade	3,521	1.92	6,777.92
9	Skok 7¼" crosscut blade	3,379	1.92	6,487.68
10	3M dust mask	2,645	2.14	5,653.69
11	Wen electric pencil, w/carbide tip	673	6.61	4,450.21
12	Wen 3" belt sander	79	44.86	3,860.14
13	Dremel Moto Kit 3701	67	57.32	3,840.78

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	LUCITE PAINT			
1	White house/trim 1 gal	16,467	15.63	257,319.93
2	White wall/ceiling 1 gal	5,860	12.82	75,153.33
3	Interior, enamel white	2,828	16.73	47,306.78
4	Wall, white, 1 gal	2,412	12.82	30,921.84
5	Wall, antique white, 1 gal	2,204	12.82	28,255.28
6	House/trim, white, s/gls	1,368	16.26	22,251.34
7	Latex redwood stain, 1 gal	2,684	6.73	18,068.69
8	Exterior, enamel white, 1 gal	980	16.73	16,393.44
9	Wall, off white	1,248	12.82	15,999.36
10	Floor, gull gray, 1 gal	1,128	13.78	15,540.23
11	Wall, classic cream, 1 gal	1,176	12.82	15,076.32
12	Wall, mission ivory, 1 gal	1,160	12.82	14,871.20
	PAINT SUNDRIES			
1	Thompson water seal, 1 gal	5,772	11.54	66,585.79
2	WD-40 rust preventative, 9 oz	32,112	2.00	64,288.22
3	Macco liquid nail adhesive	32,856	1.39	45,538.42
4	Savogran Kutzit, 1 gal	4,339	9.69	42,036.23
5	Tap-90 EZ 3-piece paint set	12,596	2.60	32,799.98
6	Savogran Kutzit paint/varnish remover	10,836	3.09	32,379.20
7	Savogran Strypee paint remover, paste	2,368	10.33	24,466.18
8	Borden carpenter wood glue, 8 oz	13,752	1.57	21,563.14
9	WD-40 multiuse lubricant, 12 oz	7,944	2.48	19,685.23
10	Manco masking tape ¾ x 40	30,960	0.56	17,337.60
11	EZ 9" twin pack covers	16,512	0.98	16,181.76
12	EZ 4-piece brush set	7,812	1.85	14,436.58

(Continued on page 44)

Basics Hot; Promotional Items Sizzle

May through June sales at Stem Distributing, Maple Heights, Ohio, were generally strong.

Ken Richards, buyer for the distributor, which services some 480 discount stores in 35 states, said sales strength was based on increased promotional efforts.

The distributor instituted a new truckload sale program for electrical, plumbing, tools and power tools as part of its promotional thrust during the period.

"It's like a flea market," said Richards. "Customers don't know what will be there in advance, but they know there'll be a broad selection by virtue of strong advertising."

As a result of the attack customers generally make more impulse purchases.

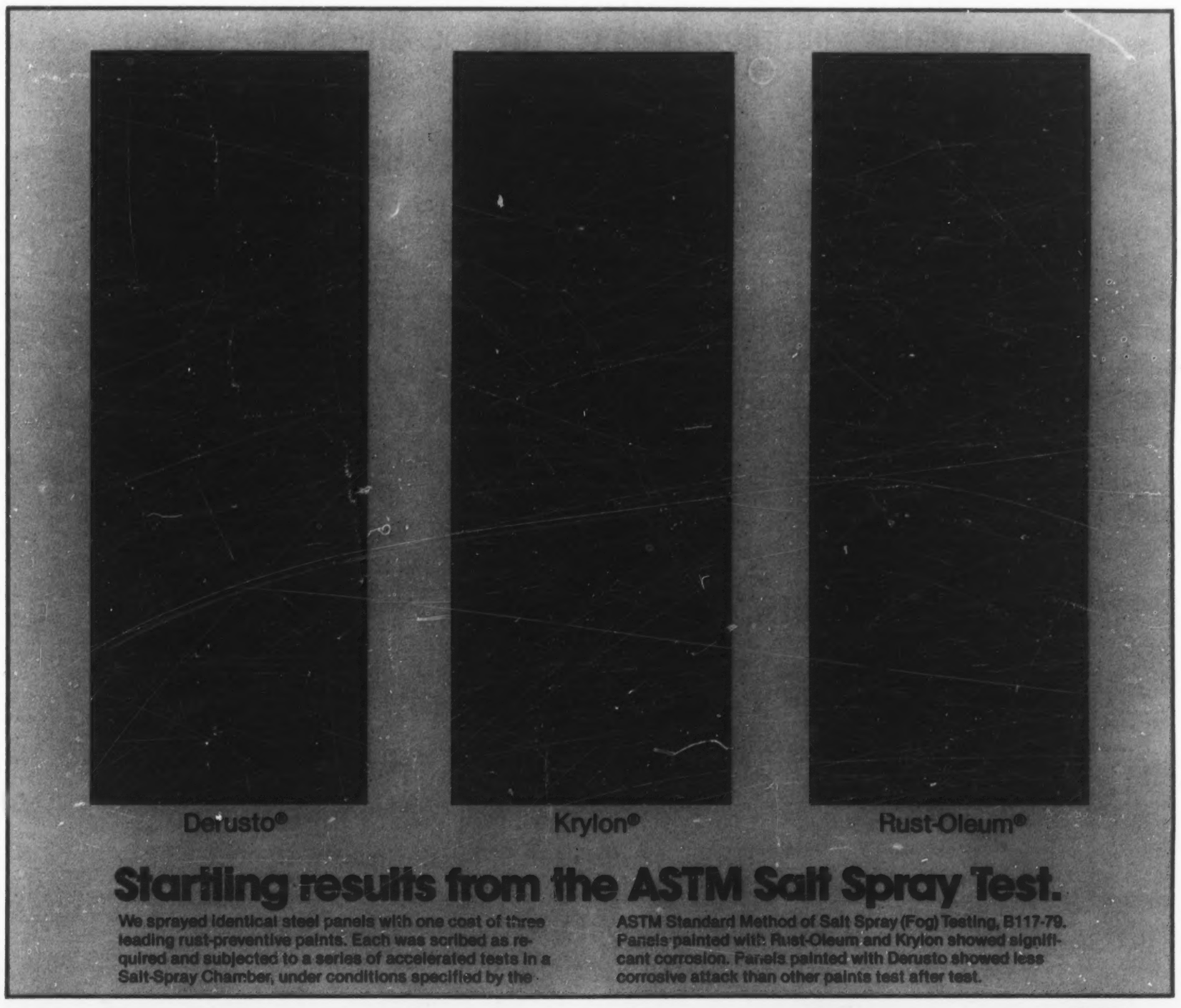
In a breakdown of movement of products in selected categories, promotional items ranked best.

In tools, according to Richards, "It's back to basics.

"Our biggest sellers are medium-priced hand tools."

The Bernz propane blow torch, a basic, was listed second on the tools roster. It was a heavy one-time promotion

(Continued on page 44)



Starting results from the ASTM Salt Spray Test.

We sprayed identical steel panels with one coat of three leading rust-preventive paints. Each was scribed as required and subjected to a series of accelerated tests in a Salt-Spray Chamber, under conditions specified by the ASTM Standard Method of Salt Spray (Fog) Testing, B117-79. Panels painted with Rust-Oleum and Krylon showed significant corrosion. Panels painted with Derusto showed less corrosive attack than other paints test after test.

Only Derusto is primed for profits.

Best by the test. Accelerated testing under severely corrosive conditions specified by ASTM standards proved it batch after batch: Derusto outperforms the leading specialty paints.

The built-in primer is why. Derusto lasts longer because it has a built-in anti-rust primer. The other paints don't.

Your customers will like the extended one-coat protection only Derusto's built-in primer can give. And satisfied customers mean increased demand.

Now that we've demonstrated Derusto is a better paint, we'd like to show you how you can make more money selling it.

More turns, with less inventory. You can carry less inventory because you don't have to stock slow-moving primers. So you tie up less money in inventory — and still stock a full range of your faster-moving colors.

Formula for even more profits. When you combine shipments of Derusto with DAP products and Dow Corning silicones, you get an even better deal.

National advertising, consumer rebates, co-op, and in-store displays complete the Derusto formula for success. Your DAP representative will cover the details.

Derusto®

The one that's primed for profits.

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Electronic Retail Pay Plan Eyed

NEW YORK—Retailers and financial institutions are teaming up to develop an electronic retail payment system that consumers will accept.

To deal with this problem in the New York Metropolitan Area, the Tri-State Action Task Force on Retail Payment Systems has been formed. It was organized by Touche Ross, the accounting firm, and includes people from retail, financial and information system firms in New York, New Jersey and Connecticut.

"The main objective of the Task Force is to displace costly paper-based and cash-based transactions with an electronic retail payment system," said Randy Allen of Touche Ross.

The system relies on a debit card that would transfer funds from the consumer's bank account to the retailer's at the point of sale.

Among the advantages of the system are improved cash management, speedier deposits, enhanced customer service through another payment choice, and a lower crime risk because of less cash at sales desks, said the developers.

In spite of the advantages, retailers have often balked at instituting an electronic system, but Allen said, "Recent developments should hasten their inevitability." She explained that the Federal Reserve has until now subsidized check processing, but is now changing its policy. Banks will pass the increase to retailers

(Continued on page 44)